UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C 20549

FORM 10-K

(Mark one)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-8606

Verizon Communications Inc.

(Exact name of registrant as specified in its charter)

Delaware	**23-2259884**
(State of incorporation)	(I R S Employer Identification No)
140 West Street New York, New York	**10007**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 395-1000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.10 par value	New York, Chicago, London, Swiss, Amsterdam and Frankfurt Stock Exchanges

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ✓ No __

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes __ No ✓

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229 405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K __

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ✓ Acc ated filer __ Non-accelerated fil _ Smaller reporting company __

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes __ No ✓

At June 30, 2008, the aggregate market value of the registrant's voting stock held by non-affiliates was approximately $103,874,980,000.

At January 30, 2009, 2,840,569,560 shares of the registrant's common stock were outstanding, after deducting 127,040,559 shares held in treasury

Documents incorporated by reference:

Portions of the registrant's Annual Report to Shareowners for the year ended December 31, 2008 (Parts I and II)

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission and delivered to shareholders in connection with the registrant's 2009 Annual Meeting of Shareholders (Part III).

Consolidated Results of Operations

In this section, we discuss our overall results of operations and highlight items that are not included in our business segment results. We have two reportable segments, which we operate and manage as strategic business units and organize by products and services. Our segments are Domestic Wireless and Wireline.

This section and the following "Segment Results of Operations" section also highlight and describe those items of a non-recurring or non-operational nature separately to ensure consistency of presentation. In the following section, we review the performance of our two reportable segments. We exclude the effects of certain items that management does not consider in assessing segment performance, primarily because of their non-recurring and/or non-operational nature as discussed below and in the "Other Consolidated Results" and "Other Items" sections. We believe that this presentation will assist readers in better understanding our results of operations and trends from period to period.

On March 31, 2008, we completed the spin-off of our local exchange and related business assets in Maine, New Hampshire and Vermont. Accordingly, Wireline results from divested operations have been reclassified to Corporate and Other and reflect comparable operating results.

Consolidated Revenues

(dollars in millions)

Years Ended December 31,	2008	2007	% Change	2007	2006	% Change
Domestic Wireless	$ **49,332**	$ 43,882	12.4	$ 43,882	$ 38,043	15.3
Wireline						
Verizon Telecom	**29,912**	30,780		30,780	31,759	
Verizon Business	**21,126**	21,109		21,109	20,546	
Intrasegment eliminations	**(2,824)**	(2,760)		(2,760)	(2,801)	
	48,214	49,129	(1.9)	49,129	49,504	(0.8)
Corporate and Other	**(192)**	458	nm	458	635	(27.9)
Consolidated Revenues	$ **97,354**	$ 93,469	4.2	$ 93,469	$ 88,182	6.0

nm – not meaningful

2008 Compared to 2007

Consolidated revenues in 2008 increased by $3,885 million, or 4.2%, compared to 2007. This increase was primarily the result of continued strong growth at Domestic Wireless.

Domestic Wireless's revenues in 2008 increased by $5,450 million, or 12.4%, compared to 2007 due to increases in service revenues and equipment and other revenue. Service revenues during 2008 increased $4,619 million, or 12.2%, compared to 2007 primarily due to increases in data revenues and customers. Equipment and other revenue increased principally as a result of increases in the number of existing customers upgrading their wireless devices. Total data revenues increased by $3,265 million, or 44.2% in 2008 compared to 2007. There were 72.1 million total Domestic Wireless customers as of December 31, 2008, an increase of 9.7% from December 31, 2007. Domestic Wireless's retail customer base as of December 31, 2008 was approximately 70 million, a 9.9% increase from 2007, and represented approximately 97.2% of its total customer base. Service ARPU increased by 1.2% to $51.59 in 2008 compared to 2007, primarily attributable to increases in Data ARPU driven by increased use of our messaging and other data services. Retail Service ARPU increased by 0.6% to $51.88 in 2008 compared to 2007.

Wireline's revenues in 2008 decreased $915 million, or 1.9%, compared to 2007, primarily driven by lower demand and usage of our basic local exchange and accompanying services, partially offset by continued growth from broadband and strategic services. During 2008, we added 660,000 net new broadband connections, including 956,000 net new FiOS data connections, offset by a net decline of 296,000 high speed Internet connections. As of December 31, 2008 we served 8,673,000 connections, including 2,481,000 for FiOS Internet, representing an 8.2% increase in total broadband connections from December 31, 2007. In addition, we added 975,000 net new FiOS TV customers in 2008, for a total of 1,918,000 at December 31, 2008. The revenue growth at Verizon Telecom driven by broadband and video services was more than offset by a 3,722,000 decline in subscriber access lines resulting from competition and technology substitution, including wireless and VoIP. Revenues at Verizon Business increased primarily due to higher demand for Internet-related product offerings, specifically Private IP products and the impact of foreign currency exchange rates on services billed in local currencies, partially offset by lower voice revenues.

Connect people with their world, **everywhere** they live and work, and do it **better** than anyone else.

Dollars in millions except per share amounts

preparing 2008 spectrum purchases for service. The increase in 2007 was primarily due to higher average debt balances resulting from the inclusion of BellSouth and AT&T Mobility outstanding debt on our consolidated balance sheet.

Equity in net income of affiliates Equity in net income of affiliates increased $127, or 18.4%, in 2008, primarily due to improved results from our investments in América Móvil S.A. de C.V. (América Móvil), Télefonos de México, S.A. de C.V. (Telmex) and Telmex Internacional, S.A.B. de C.V. (Telmex Internacional) offset by foreign exchange adjustments. Equity in net income of affiliates decreased $1,351 in 2007 as a result of the change in accounting for AT&T Mobility which moved Mobility's results from this line. Prior to the December 29, 2006 BellSouth acquisition (see Note 2), we accounted for our 60% economic interest in AT&T Mobility under the equity method since we shared control equally with BellSouth. AT&T Mobility is now a wholly-owned subsidiary of AT&T, and wireless results are reflected in operating revenues and expenses in our consolidated statements of income.

Other income (expense) – net We had other expense of $589 in 2008, and other income of $615 in 2007 and $393 in 2006. Results for 2008 included losses of $467 related to asset impairments, $261 in minority interest expense and $180 loss on the sale of merger-related investments held under independent management which support certain benefit plans (see Note 11). These losses were partially offset by a $121 gain on the disposition of other non-strategic assets, $107 gain related to interest income, $49 of income from leveraged leases and $41 of dividend income.

Other income for 2007 included gains of $409 related to a wireless spectrum license exchange, $166 in interest income, $148 from the sale of administrative buildings and other non-strategic assets, and $88 from other non-operating activities. These gains were partially offset by $196 in minority interest expense. Other income for 2006 included interest income of $377. There were no other individually significant other income or expense transactions during 2006.

Income taxes increased $783, or 12.5%, in 2008 and $2,728, or 77.4%, in 2007. The increase in income taxes in 2008 was primarily due to higher operating income. Our effective tax rate in 2008 was 35.4%, compared to 34.4% in 2007 and 32.4% in 2006. The increase in our effective tax rate for 2008 was primarily due to an increase in income before income taxes.

The increase in income taxes in 2007 compared to 2006 was primarily due to higher operating income reflecting the acquisition of BellSouth and its share of AT&T Mobility's operating results. The increase in our effective tax rate for 2007 was primarily due to the consolidation of AT&T Mobility and an increase in income before income taxes.

Supplemental Information

To provide improved comparability versus previous results, below is a supplemental table providing pro forma consolidated operating revenues for 2006, assuming the closing date for the BellSouth acquisition was January 1, 2006, along with a summary of how these 2006 pro forma numbers would have affected 2007 results. The 2008 results are included to provide trend information but the comparisons between 2008 and 2007 results are discussed in "Segment Results."

Supplemental Consolidated Operating Revenues Information

				Percent Change
	Actual 2008	Actual 2007	Pro Forma 2006	2007 vs. 2006
Segment operating revenues				
Wireless service	**$ 44,249**	$ 38,568	$ 33,692	14.5%
Voice	**37,321**	40,798	43,505	(6.2)
Data	**24,372**	23,206	22,173	4.7
Directory	**5,416**	4,806	5,823	(17.5)
Other	**12,670**	11,550	11,861	(2.6)
Total Operating Revenues	**$124,028**	$118,928	$117,054	1.6%

Pro forma wireless service growth in 2007 was driven by subscriber growth and strong increases in data usage, including increased messaging, browsing, media bundles and both laptop and smartphone connectivity. We have historically discussed our wireless segment results on a basis that included 100% of AT&T Mobility results, and a detailed wireless service revenue discussion can be found in our "Wireless Segment Results" section.

The pro forma voice revenue decline in 2007 is consistent with trends and is due to access line declines reflecting competition and substitution of alternative technologies, pricing pressures due to competition, anticipated shifts of traffic by major consolidated carriers to their own networks and a continuing decline in the number of AT&T Corp.'s (ATTC) mass-market customers, which are composed of consumers and small businesses.

Pro forma data growth was led by an increase in IP data revenues of 13.3% in 2007, with strength in high-speed Internet, managed Internet, Virtual Private Network (VPN) and hosting services. Data transport service revenues were up 0.7% in 2007, and packet-switched data revenues, which include frame relay and asynchronous transfer mode (ATM) services, were down 7.0%, consistent with the industry trend of customers switching to IP-based services from traditional circuit-based services.

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For the fiscal year ended December 31, 2008

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-04721

SPRINT NEXTEL CORPORATION
(Exact name of registrant as specified in its charter)

KANSAS	48-0457967
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
6200 Spriut Parkway, Overland Park, Kansas	**66251**
(Address of principal executive offices)	*(Zip Code)*

Registraut's telephone uumber, including area code:
(800) 829-0965

Secnrities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Series 1 common stock, $2.00 par value	New York Stock Exchange
Guarantees of Sprint Capital Corporation 6.875% Notes due 2028	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer (Do not check if smaller reporting company) ☐	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

Aggregate market value of voting and non-voting common stock equity held by non-affiliates at June 30, 2008 was $26,592,564,910

COMMON SHARES OUTSTANDING AT FEBRUARY 20, 2009:

VOTING COMMON STOCK	
Series 1	2,790,132,446
Series 2	74,831,333

Documents incorporated by reference

Portions of the registrant's definitive proxy statement filed under Regulation 14A promulgated by the Securities and Exchange Commission under the Securities Exehange Act of 1934, which definitive proxy statement is to be filed within 120 days after the end of registrant's fiscal year ended December 31, 2008, are incorporated by reference in Part III hereof.

Item 6. Selected Financial Data

The 2008, 2007 and 2006 data presented below is not comparable to that of the prior periods primarily as a result of the August 2005 Sprint-Nextel merger and the subsequent Nextel Partners, Inc. and the PCS Affiliate acquisitions. The acquired companies' financial results subsequent to their acquisition dates are included in our consolidated financial statements. Embarq Corporation, our former Local segment, which was spun-off in 2006, is shown as discontinued operations for all periods prior to the spin-off. We lost 5.1 million direct wireless subscribers in 2008 and 659,000 direct wireless subscribers in 2007, which caused the majority of the reduction in net operating revenues in those periods.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(in millions, except per share amounts)				
Results of Operations					
Net operating revenues	$35,635	$ 40,146	$41,003	$ 28,771	$ 21,647
Goodwill impairment [1]	963	29,649	—	—	—
Depreciation	5,953	5,621	5,738	3,864	3,651
Amortization	2,443	3,312	3,854	1,336	7
Operating (loss) income [1][2]	(2,642)	(28,740)	2,484	2,141	(1,999)
(Loss) income from continuing operations [1][2]	(2,796)	(29,444)	995	821	(2,006)
Discontinued operations, net	—	—	334	980	994
Cumulative effect of change in accounting principle, net	—	—	—	(16)	—
(Loss) Earnings per Share and Dividends					
Basic and diluted (loss) earnings per common share					
Continuing operations [1][2]	$ (0.98)	$ (10.27)	$ 0.34	$ 0.40	$ (1.40)
Discontinued operations	—	—	0.11	0.48	0.69
Cumulative effect of change in accounting principle	—	—	—	(0.01)	—
Dividends per common share [3]	—	0.10	0.10	0.30	See (3) below
Financial Position					
Total assets [1]	$58,252	$ 64,295	$97,161	$102,760	$ 41,321
Property, plant and equipment, net	22,373	26,636	25,868	23,329	14,662
Intangible assets, net [1]	22,886	28,139	60,057	49,307	7,809
Total debt and capital lease obligations (including equity unit notes)	21,610	22,130	22,154	25,014	16,425
Seventh series redeemable preferred shares	—	—	—	247	247
Shareholders' equity [1]	19,605	22,135	53,131	51,937	13,521
Cash Flow Data					
Net cash from continuing operating activities	$ 6,179	$ 9,245	$10,055	$ 8,655	$ 4,478
Capital expenditures	3,882	6,322	7,556	5,057	3,980

(1) In the fourth quarters 2008 and 2007, we performed our annual assessment of goodwill for impairment and recorded non-cash impairment charges of $963 million and $29.649 billion, respectively.

(2) In 2008, we recorded net charges of $947 million ($569 million after tax) primarily related to asset impairments other than goodwill, severance and exit costs, and merger and integration costs. In 2007, we recorded net charges of $956 million ($590 million after tax) primarily related to merger and integration costs, asset impairments other than goodwill, and severance and exit costs. In 2006, we recorded net charges of $620 million ($381 million after tax) primarily related to merger and integration costs, asset

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Consolidated

The following table summarizes our consolidated results of operations.

	Year Ended December 31,		
	2008 [1]	2007 [2]	2006 [2] [3]
		(in millions)	
Net operating revenues	$35,635	$ 40,146	$41,003
Goodwill impairment	963	29,649	—
(Loss) income from continuing operations	(2,796)	(29,444)	995
Discontinued operations, net	—	—	334
Net (loss) income	(2,796)	(29,444)	1,329

(1) *Our consolidated results of operations include the results of our next-generation wireless broadband network. That network was contributed to Clearwire in a transaction that closed on November 28, 2008. For further information on the Clearwire transaction, see note 3 of the Notes to Consolidated Financial Statements.*

(2) *Our consolidated and wireless results include merged and acquired companies from either the date of merger/acquisition or the start of the month closest to the acquisition date. The results of merged and acquired companies are included as of the following dates: Enterprise Communications Partnership and Alamosa Holdings, Inc. from February 1, 2006, Nextel Partners and UbiquiTel Inc. from July 1, 2006 and Northern PCS Services, LLC from August 1, 2007. The results of Velocita Wireless Holding Corporation are included from the date of acquisition, March 1, 2006, through the date of sale, June 27, 2007.*

(3) *On May 17, 2006, we spun-off to our shareholders our local communications business, which is now known as Embarq Corporation and is comprised primarily of what was our local wireline communications segment prior to the spin-off. As a result of the spin-off, we no longer own any interest in Embarq. The results of Embarq for periods prior to the spin-off are presented as discontinued operations.*

Net operating revenues decreased about 11% in 2008 as compared to 2007, reflecting the decrease in revenues from our Wireless segment, principally due to the decrease in wireless service revenue, and decreased 2% in 2007 as compared to 2006, reflecting the decrease in revenues from our Wireless segment, principally due to the decrease in wireless equipment revenue. For additional information, see "—Segment Resnlts of Operations" below.

Loss from continuing operations decreased to a loss of $2.8 billion in 2008, compared to a loss of $29.4 billion in 2007, primarily due to the 2007 goodwill impairment charge of $29.6 billion. Loss from continuing operations increased to a loss of $29.4 billion in 2007, as compared to income of $995 million in 2006, primarily due to the goodwill impairment charge of $29.6 billion. For additional information, see "—Segment Results of Operations" and "—Consolidated Information" below.

In 2008, we incurred a net loss of $2.8 billion as compared to a net loss of $29.4 billion in 2007, due to the reasons stated above. In 2007, we incurred a net loss of $29.4 billion as compared to net income of $1.3 billion in 2006, primarily due to the goodwill impairment charge of $29.6 billion and the absence of income from discontinued operations in 2007. For additional information, see "—Segment Results of Operations" and "—Consolidated Information" below.

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T-MOBILE USA REPORTS FOURTH QUARTER AND FULL YEAR 2008 RESULTS

- **$1.57 billion Operating Income Before Depreciation and Amortization ("OIBDA") in the fourth quarter of 2008, up 18% from the fourth quarter of 2007**
- **31% increase in data services revenue compared to the fourth quarter of 2007**
- **Total messages carried in the quarter more than doubled compared to the fourth quarter of 2007**
- **$4.9 billion service revenue in the fourth quarter of 2008, up 12% from the fourth quarter of 2007**
- **621,000 net new customers added in the fourth quarter of 2008**
- **At the end of 2008 the 3G network covers 130 cities**
- **T-Mobile USA reclaims J.D. Power and Associates Award for Wireless Customer Care Performance**

BELLEVUE, Wash., February 27th, 2009 -- T-Mobile USA, Inc. (T-Mobile USA) today reported fourth quarter 2008 results. In the fourth quarter of 2008, T-Mobile USA reported OIBDA of $1.57 billion, up 18% compared to the fourth quarter of 2007, data services revenues up 31% compared to the fourth quarter of 2007, and service revenues of $4.9 billion, up 12% compared to the fourth quarter of 2007.

"In Q4, we began to realize in earnest the benefits of our aggressive 3G buildout, positioning ourselves to deliver new data services," said Robert Dotson, president and CEO, T-Mobile USA. "We saw many customers quickly jump on the T-Mobile 3G bandwagon. In the very first quarter of our offering widespread 3G service, almost 40% of handset sales to contract

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customers were converged devices, and half of these were 3G enabled devices such as the T-Mobile G1 with Google and the Samsung Behold. By offering compelling products and high-speed data service along with the best value for money in the industry, we can really come through for customers at a time when they need it most."

René Obermann, Chief Executive Officer, Deutsche Telekom, said, "As the U.S. business continues to ramp up its rollout of nationwide 3G services, we are excited by the growth opportunities opening up for us in mobile communications data services. Today, we are just scratching the surface when it comes to seizing the opportunities available to us in the U.S. market for data and related communications services."

Customers

- In the fourth quarter of 2008, T-Mobile USA added 621,000 net new customers, down from 670,000 in the third quarter of 2008, and down from 951,000 in the fourth quarter of 2007.
    - The number of net new customer additions was down slightly compared to the third quarter of 2008 despite higher gross customer additions. This is primarily due to higher blended churn, as explained below. Gross customer additions were higher both sequentially and compared to the fourth quarter of 2007.
    - Contract customer net additions made up almost 43% of customer growth, compared to 44% in the third quarter of 2008 and 77% in the fourth quarter of 2007.
    - Prepaid net additions were 355,000 in the fourth quarter of 2008, down from 377,000 in the third quarter of 2008 and up from 218,000 in the fourth quarter of 2007. The sequential decrease in prepaid net customer additions was primarily due to seasonally higher prepaid churn.
- Contract customers comprised 82% of T-Mobile USA's total customer base at December 31, 2008. T-Mobile USA ended 2008 with 32.8 million customers.

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Churn

- Contract churn was 2.4% in the fourth quarter of 2008, in line with the third quarter of 2008 and up from 1.8% in the fourth quarter of 2007.
    - Contract churn continued to be impacted in the fourth quarter of 2008 by customers coming to the anniversary of their two-year contracts (that were first introduced in April 2006) and competitive intensity.
- Blended churn, including both contract and prepaid customers, was 3.3% in the fourth quarter of 2008, up from 3.0% in the third quarter of 2008 and 2.8% in the fourth quarter of 2007. Blended churn was also impacted by seasonally higher prepaid churn in the fourth quarter of 2008 compared to the third quarter of 2008.

OIBDA and Net Income

- T-Mobile USA reported OIBDA of $1.57 billion in the fourth quarter of 2008, up from $1.53 billion in the third quarter of 2008 and up from $1.33 billion in the fourth quarter of 2007.
- OIBDA margin was 31% in the fourth quarter of 2008, in line with the third quarter of 2008 and up from 30% in the fourth quarter of 2007.
    - The improvement in OIBDA margin compared to the fourth quarter of 2007 is primarily due to lower CPGA.
- Net income for the fourth quarter of 2008 was $483 million, up from the $442 million in the third quarter of 2008 and $383 million in the fourth quarter of 2007.

Revenue

- Service revenues (as defined in Note 1 to the Selected Data, below) were $4.90 billion in the fourth quarter of 2008, in line with the third quarter of 2008, and up from $4.37 billion in the fourth quarter of 2007.
    - The increase in service revenues year over year was primarily due to the growth in contract customers and the SunCom Wireless acquisition.

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- Total revenues, including service, equipment, and other revenues were $5.72 billion in the fourth quarter of 2008, up from $5.51 billion in the third quarter of 2008 and $5.07 billion in the fourth quarter of 2007.
  - The sequential growth in total revenues in the fourth quarter of 2008 compared to the third quarter was due to higher equipment revenues driven by new devices such as the T-Mobile G1 with Google.
  - The acquisition of SunCom contributed $189 million to T-Mobile USA's total revenues in the fourth quarter.

ARPU

- Blended Average Revenue Per User ("ARPU" as defined in note 1 to the Selected Data, below) was $50 in the fourth quarter of 2008, compared to $52 in the third quarter of 2008 and the fourth quarter of 2007. Rounding movements account for approximately $1 of the sequential fall in blended ARPU, and the remaining difference is explained below.
- Contract ARPU was $54 in the fourth quarter of 2008, down from $55 in the third quarter of 2008 and $56 in the fourth quarter of 2007.
  - The decrease in contract ARPU sequentially and year over year was primarily due to lower usage based revenues from contract customers
- Prepaid ARPU was $23 in the fourth quarter of 2008, down from $24 in the third quarter of 2008 and higher than $20 in the fourth quarter of 2007.
  - The decrease quarter over quarter was primarily driven by new customer additions being added late in the fourth quarter.
  - The increase in prepaid ARPU year over year is due to higher ARPU products such as FlexPay℠ no-contract.
- Data services revenue (as defined in Notes 1 and 9 to the Selected Data, below) was $905 million in the fourth quarter of 2008, representing 18.5% of blended ARPU, or $9.30 per customer, up from 17.3% of blended ARPU, or $8.90 per customer in the third quarter of 2008, and 15.8% of blended ARPU, or $8.20 per customer in the fourth quarter of 2007. Data services revenue increased 31% in the fourth quarter of 2008 versus the fourth

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quarter of 2007, up from an increase of 28% in the third quarter of 2008 versus the third quarter of 2007.

- Growth in messaging revenue continued to be the most significant driver of data ARPU, as customers continue to purchase plans that include messaging, including unlimited voice and data plans. The total number of messages carried on the T-Mobile USA network increased to 57 billion in the fourth quarter of 2008, compared to 49 billion in the third quarter of 2008 and 24 billion in the fourth quarter of 2007
- Continued growth in converged device users was another significant driver for increased data revenues. This includes 3G-enabled devices such as the T-Mobile G1 and the Samsung Behold™.
- T-Mobile USA launched web2go℠ in the fourth quarter of 2008, creating an improved Web browsing experience on select devices.

CPGA and CCPU

- The average cost of acquiring a customer, Cost Per Gross Add ("CPGA" as defined in note 4 to the Selected Data, below) was $270 in the fourth quarter of 2008, down from $290 in the third quarter of 2008 and $300 in the fourth quarter of 2007.
  - The decrease in CPGA compared to the third quarter of 2008 is primarily due to lower commissions and advertising expense along with lower equipment subsidy loss.
- The average cash cost of serving customers, Cash Cost Per User ("CCPU" as defined in note 3 to the Selected Data, below), was $25 per customer per month in the fourth quarter of 2008, consistent with the third quarter of 2008 and fourth quarter of 2007.

Capital Expenditures

- Cash capital expenditures (see note 7 to the Selected Data below) were $895 million in the fourth quarter of 2008, compared with $956 million in the third quarter of 2008 and $1.01 billion in the fourth quarter of 2007. For 2008 as a whole, cash capital expenditures amounted to $3.6 billion compared to $2.7 billion in 2007.

- Cash capital expenditures decreased sequentially due to an increase in incurred capital expenditures being more than offset by payment timing differences.
- The increase in capital expenditures year over year was primarily due to the construction of the 3G network.

- T-Mobile USA continued to improve network coverage in the fourth quarter of 2008, adding approximately 1,100 new GSM/GPRS/EDGE cell sites, bringing the total number of cell sites at the end of the quarter to 44,000.
- T-Mobile USA continues to invest in the UMTS / HSDPA (3G) network, which now reaches 107 million people in 130 cities.

Stick Together Highlights

- On February 4, 2009, T-Mobile USA was ranked highest in wireless customer care performance by J.D. Power and Associates. Winning this award in 7 of the last 8 reporting periods continues to demonstrate T-Mobile USA's strong and successful focus on customer service.
- On January 22, 2009, Fortune magazine announced that T-Mobile USA was the first-ever telecommunications company to be ranked in its "100 Best Companies to Work For" list. "Service is our number one priority at T-Mobile. And the best way to deliver outstanding service is to create an environment where our employees can make a meaningful difference for customers everyday," said Dotson. "As the first telecommunications service provider to be included in Fortune's 'Best Companies to Work For', we're gratified and honored to be named among these elite companies."
- On Nov. 20, 2008, T-Mobile USA, introduced web2go℠, which makes it easier to view and navigate the Web from basic voice phones and smartphones alike, providing customers with better Web browsing, improved search with Yahoo! oneSearch™, a customizable home page and a simplified shopping and download experience.

T-Mobile USA is the U.S. operation of Deutsche Telekom AG's (NYSE: DT) Mobile Communications Business, and is a wholly-owned subsidiary of T-Mobile International. In order to provide comparability with the results of other US wireless carriers, all financial amounts are in US dollars and are based on accounting principles generally accepted in the United States ("GAAP"). T-Mobile USA results are included in the consolidated results of Deutsche Telekom, but differ from the information contained herein as Deutsche Telekom reports financial results in Euros and in accordance with International Financial Reporting Standards (IFRS).

This press release includes non-GAAP financial measures. The non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information provided in accordance with GAAP. Reconciliations from the non-GAAP financial measures to the most directly comparable GAAP financial measures are provided below following Selected Data and the financial statements.

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SELECTED DATA FOR T-MOBILE USA

(thousands)	Full Year 2008	Q4 08	Q3 08	Q2 08	Q1 08	Full Year 2007	Q4 07
Covered population[8]	288,000	288,000	286,000	284,000	284,000	284,000	284,000
Customers, end of period[2]	32,758	32,758	32,136	31,466	30,798	28,685	28,685
Thereof contract customers	26,806	26,806	26,539	26,246	25,721	23,914	23,914
Thereof prepaid customers	5,952	5,952	5,597	5,220	5,077	4,771	4,771
Net customer additions	2,940	621	670	668	981	3,644	951
Acquired customers	1,132	-	-	-	1,132	-	-
Minutes of use/contract customer/month	1,150	1,130	1,140	1,170	1,150	1,130	1,120
Contract churn	2.10%	2.40%	2.40%	1.90%	1 70%	1.90%	1.80%
Blended churn	2 90%	3.30%	3.00%	2.70%	2.60%	2 80%	2.80%
($)							
ARPU (blended)[1, 9]	51	50	52	52	51	52	52
ARPU (contract)	55	54	55	55	55	57	56
ARPU (prepaid)	23	23	24	23	22	19	20
Cost of serving (CCPU)[3]	25	25	25	25	25	25	25
Cost per gross add (CPGA)[4]	290	270	290	320	300	300	300
($ million)							
Total revenues	21,885	5,722	5,506	5,470	5,187	19,288	5,068
Service revenues[1, 9]	19,242	4,904	4,911	4,854	4,573	16,892	4,371
OIBDA[5]	6,123	1,568	1,531	1,583	1,441	5,350	1,327
OIBDA margin[6]	31%	31%	31%	32%	31%	31%	30%
Capital expenditures[7]	3,603	895	956	1,062	690	2,677	1,009
Cell sites on-air[10]	44,000	44,000	42,900	42,000	41,000	37,900	37,900

Since all companies do not calculate these figures in the same manner, the information contained in this press release may not be comparable to similarly titled measures reported by other companies.

1 Average Revenue Per User ("ARPU") represents the average monthly service revenue we earn from our customers. ARPU is calculated by dividing service revenues for the specified period by the average customers during the period, and further dividing by the number of months in the period. We believe ARPU provides management with useful information to evaluate the revenues generated from our customer base

Service revenues include contract, prepaid, and roaming and other service revenues, and do not include equipment sales and other revenues. Data services revenues (including messaging and non-messaging revenue) is a component of service revenues. Within the consolidated financial statements below, other

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revenues include co-location rental income and wholesale revenues from the usage of our network in California, Nevada, and New York by AT&T customers, among other items, and are therefore not included in ARPU.

2 A customer is defined as a SIM card with a unique mobile identity number which generates revenue. Contract customers and prepaid customers include FlexPay customers depending on the type of rate plan selected. FlexPay customers with a contract are included in contract customers, and FlexPay customers without a contract are included in prepaid customers.

3 The average cash cost of serving customers, or Cash Cost Per User ("CCPU") is a non-GAAP financial measure and includes all network and general and administrative costs as well as the subsidy loss unrelated to customer acquisition. Subsidy loss unrelated to customer acquisition includes upgrade handset costs for existing customers offset by upgrade equipment revenues and other related direct costs This measure is calculated as a per month average by dividing the total costs for the specified period by the average total customers during the period and further dividing by the number of months in the period. We believe that CCPU, which is a measure of the costs of serving a customer, provides relevant and useful information and is used by our management to evaluate the operating performance of our business

4 Cost Per Gross Add ("CPGA") is a non-GAAP financial measure and is calculated by dividing the costs of acquiring a new customer, consisting of customer acquisition costs plus the subsidy loss related to customer acquisition for the specified period, by gross customers added during the period. Subsidy loss related to customer acquisition consists primarily of the excess of handset and accessory costs over related revenues incurred to acquire new customers. We believe that CPGA, which is a measure of the cost of acquiring a customer, provides relevant and useful information and is used by our management to evaluate the operating performance of our business.

5 Operating Income Before Interest, Depreciation and Amortization ("OIBDA") is a non-GAAP financial measure, which we define as operating income before depreciation and amortization In a capital-intensive industry such as wireless telecommunications, we believe OIBDA, as well as the associated percentage margin calculation, to be meaningful measures of our operating performance. OIBDA should not be construed as an alternative to operating income or net income as determined in accordance with GAAP, as an alternative to cash flows from operating activities as determined in accordance with GAAP or as a measure of liquidity. We use OIBDA as an integral part of our planning and internal financial reporting processes, to evaluate the performance of our business by senior management and to compare our performance with that of many of our competitors. We believe that operating income is the financial measure calculated and presented in accordance with GAAP that is the most directly comparable to OIBDA. OIBDA is not adjusted for integration costs of SunCom.

6. OIBDA margin is a non-GAAP financial measure, which we define as OIBDA (as described in note 5 above) divided by total revenues less equipment sales.

7 Capital expenditures consist of amounts paid by T-Mobile USA for purchases of property and equipment

8 The covered population statistic represents T-Mobile USA's GSM / GPRS / EDGE 1900/ UMTS voice and data network coverage, combined with roaming and other agreements.

9 Data ARPU is defined as total data revenues divided by average total customers during the period. Total data revenues include data revenues from contract customers, prepaid customers, Wi-Fi revenues and data roaming revenues. The relative fair value of data revenues from unlimited voice and data plans are included in total data revenues.

10 Cell sites are defined as the total number of sites in service at the end of the period, excluding small low power, low gain access sites. A site is in service when all equipment is installed and the site is integrated into the network.

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Condensed Consolidated Balance Sheets

(dollars in millions)
(unaudited)

	December 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 306	$ 64
Receivables from affliates	113	1,349
Accounts receivable, net of allowances of $291 and $277, respectively	2,809	2,617
Inventory	931	990
Current portion of net deferred tax assets	1,148	994
Other current assets	644	539
Total current assets	5,951	6,553
Property and equipment, net of accumulated depreciation of $10,830 and $9,306, respectively	12,600	11,258
Goodwill	12,011	10,701
Spectrum licenses	15,254	14,645
Other intangible assets, net of accumulated amortization of $562 and $475, respectively	212	47
Long-term investments	121	-
Other assets	141	155
	$ 46,290	$ 43,359
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 4,057	$ 3,790
Current payables to affiliates	1,557	1,127
Other current liabilities	364	380
Total current liabilities	5,978	5,297
Long-term payables to affiliates	13,850	6,712
Deferred tax liabilities	2,452	1,622
Other long-term liabilities	1,227	915
Total long-term liabilities	17,529	9,249
Minority interest in equity of consolidated subsidiaries	95	89
Commitments and contingencies		
Stockholder's equity:		
Common stock and additional paid -in capital	36,594	44,469
Accumulated deficit	(13,906)	(15,745)
Total stockholder's equity	22,688	28,724
	$ 46,290	$ 43,359

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Condensed Consolidated Statements of Operations
(dollars in millions)
(unaudited)

	Quarter Ended December 31, 2008	Quarter Ended December 31, 2007	Year Ended December 31, 2008	Year Ended December 31, 2007
Revenues:				
Contract	$ 4,334	$ 3,939	$ 17,106	$ 15,308
Prepaid	394	277	1,460	976
Roaming and other service	176	155	676	607
Equipment sales	687	620	2,262	2,061
Other	131	77	381	336
Total revenues	5,722	5,068	21,885	19,288
Operating expenses:				
Network	1,286	1,125	5,007	4,344
Cost of equipment sales	1,030	879	3,524	3,120
General and administrative	941	836	3,691	3,200
Customer acquisition	897	901	3,540	3,274
Depreciation and amortization	730	681	2,753	2,609
Total operating expenses	4,884	4,422	18,515	16,547
Operating income	838	646	3,370	2,741
Other expense, net	(56)	(33)	(380)	(346)
Income before income taxes	782	613	2,990	2,395
Income tax expense	(299)	(230)	(1,151)	(821)
Net income	$ 483	$ 383	$ 1,839	$ 1,574

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T-MOBILE USA
Condensed Consolidated Statements of Cash Flows
(dollars in millions)
(unaudited)

	Year Ended December 31, 2008	Year Ended December 31, 2007
Operating activities		
Net income	$ 1,839	$ 1,574
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,753	2,609
Income tax expense	1,151	821
Bad debt expense	523	526
Other, net	139	165
Changes in operating assets and liabilities:		
Accounts receivable	(386)	(833)
Inventory	86	(378)
Other current and non-current assets	(44)	(124)
Accounts payable and accrued liabilities	(259)	528
Net cash provided by operating activities	5,802	4,888
Investing activities:		
Purchases of property and equipment	(3,603)	(2,677)
Purchases of intangible assets	(202)	(86)
Short-term affiliate loan receivable	(895)	(1,675)
Acquisition of SunCom Wireless, net of cash acquired	(1,532)	-
Other, net	79	48
Net cash used in investing activities	(6,153)	(4,390)
Financing activities:		
Repayment of debt assumed through SunCom acquisition	(1,011)	-
Long-term debt repayments to affiliates	(830)	(515)
Long-term debt borrowings from affiliates	2,433	-
Other, net	1	3
Net cash provided by (used in) financing activities	593	(512)
Change in cash and cash equivalents	242	(14)
Cash and cash equivalents, beginning of period	64	78
Cash and cash equivalents, end of period	$ 306	$ 64

Non-cash investing and financing activities with affiliates:

In 2008, T-Mobile USA remitted $1 97 billion to affiliates as a short term receivable. $1.87 billion of the cash outflow was used during the period as settlement of debt in line with the repayment schedule. T-Mobile USA also received $7.9 billion new debt in exchange for an equity distribution made to the parent company. This equity for debt transaction was a non-cash transaction and is therefore not shown in the Condensed Consolidated Statements of Cash Flows.

In 2007, T-Mobile USA remitted $600 million to affiliates as a short term receivable, which was used later in the year as settlement of debt in line with the repayment schedule.

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Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures
(dollars in millions, except for CPGA and CCPU)
(unaudited)

OIBDA can be reconciled to our operating income as follows:

	Full Year 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Full Year 2007	Q4 2007
OIBDA	$ 6,123	$ 1,568	$ 1,531	$ 1,583	$ 1,441	$ 5,350	$ 1,327
Depreciation and amortization	(2,753)	(730)	(678)	(667)	(678)	(2,609)	(681)
Operating income	$ 3,370	$ 838	$ 853	$ 916	$ 763	$ 2,741	$ 646

The following schedule reflects the CPGA calculation and provides a reconciliation of cost of acquiring customers used for the CPGA calculation to customer acquisition costs reported on our condensed consolidated statements of operations:

	Full Year 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Full Year 2007	Q4 2007
Customer acquisition costs	$ 3,540	$ 897	$ 906	$ 876	$ 861	$ 3,274	$ 901
Plus: Subsidy loss							
Equipment sales	(2,262)	(687)	(512)	(529)	(534)	(2,061)	(620)
Cost of equipment sales	3,524	1,030	828	834	832	3,120	879
Total subsidy loss	1,262	343	316	305	298	1,059	259
Less: Subsidy loss unrelated to customer acquisition	(735)	(215)	(178)	(169)	(173)	(623)	(157)
Subsidy loss related to customer acquisition	527	128	138	136	125	436	102
Cost of acquiring customers	$ 4,067	$ 1,025	$ 1,044	$ 1,012	$ 986	$ 3,710	$ 1,003
CPGA ($ / new customer added)	$ 290	$ 270	$ 290	$ 320	$ 300	$ 300	$ 300

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Reconciliation of Non-GAAP Financial Measures to GAAP Financial Measures

(dollars in millions, except for CPGA and CCPU)

(unaudited)

The following schedule reflects the CCPU calculation and provides a reconciliation of the cost of serving customers used for the CCPU calculation to total network costs plus general and administrative costs reported on our condensed consolidated statements of operations:

	Full Year 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Full Year 2007	Q4 2007
Network costs	$5,007	$1,286	$1,284	$1,271	$1,166	$4,344	$1,125
General and administrative	3,691	941	957	906	887	3,200	836
Total network and general and administrative costs	8,698	2,227	2,241	2,177	2,053	7,544	1,961
Plus: Subsidy loss unrelated to customer acquisition	735	215	178	169	173	623	157
Total cost of serving customers	$9,433	$2,442	$2,419	$2,346	$2,226	$8,167	$2,118
CCPU ($ / customer per month)	$ 25	$ 25	$ 25	$ 25	$ 25	$ 25	$ 25

About T-Mobile USA:

Based in Bellevue, Wash., T-Mobile USA, Inc. is the U.S. operation of Deutsche Telekom AG's (NYSE: DT) Mobile Communications Business, and a wholly owned subsidiary of T-Mobile International, one of the world's leading companies in mobile communications. By the end of 2008, 128 million mobile customers were served by the mobile communication segments of the Deutsche Telekom group — 32.8 million by T-Mobile USA — all via a common technology platform based on GSM, the world's most widely-used digital wireless standard. T-Mobile's innovative wireless products and services help empower people to connect to those who matter most. Multiple independent research studies continue to rank T-Mobile among the highest in numerous regions throughout the U.S. in wireless customer care and call quality. For more information, please visit http://www.T-Mobile.com. T-Mobile is a federally registered trademark of Deutsche Telekom AG.

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